

ORIGINAL

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December 30, 2002

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DEC 30 2002

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**BY HAND DELIVERY**

Ms. Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room TWB-204  
Washington, DC 20554

**REDACTED – FOR PUBLIC INSPECTION**

Re: Ex Parte Presentation in CC Docket Nos. 01-338, 96-98, 98-147

Dear Ms. Dortch:

On December 23, 2002, John Ivanuska representing Birch Telecom, and Joseph Gillan and the undersigned, representing the Promoting Active Competition Everywhere ("PACE") Coalition, met with Daniel Gonzalez to discuss the position of the PACE Coalition regarding the economic and operational impairments associated with serving analog customers via competitive circuit switches. Attached are redacted versions of the documents distributed at the meeting.

Pursuant to section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), this letter is being filed for inclusion in the public record of the above-referenced proceedings.

Respectfully submitted,

*Genevieve Morelli*

Genevieve Morelli

cc: Qualex

Enclosure

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**UNE-P is Critical to Competition  
for Analog Business Customers**

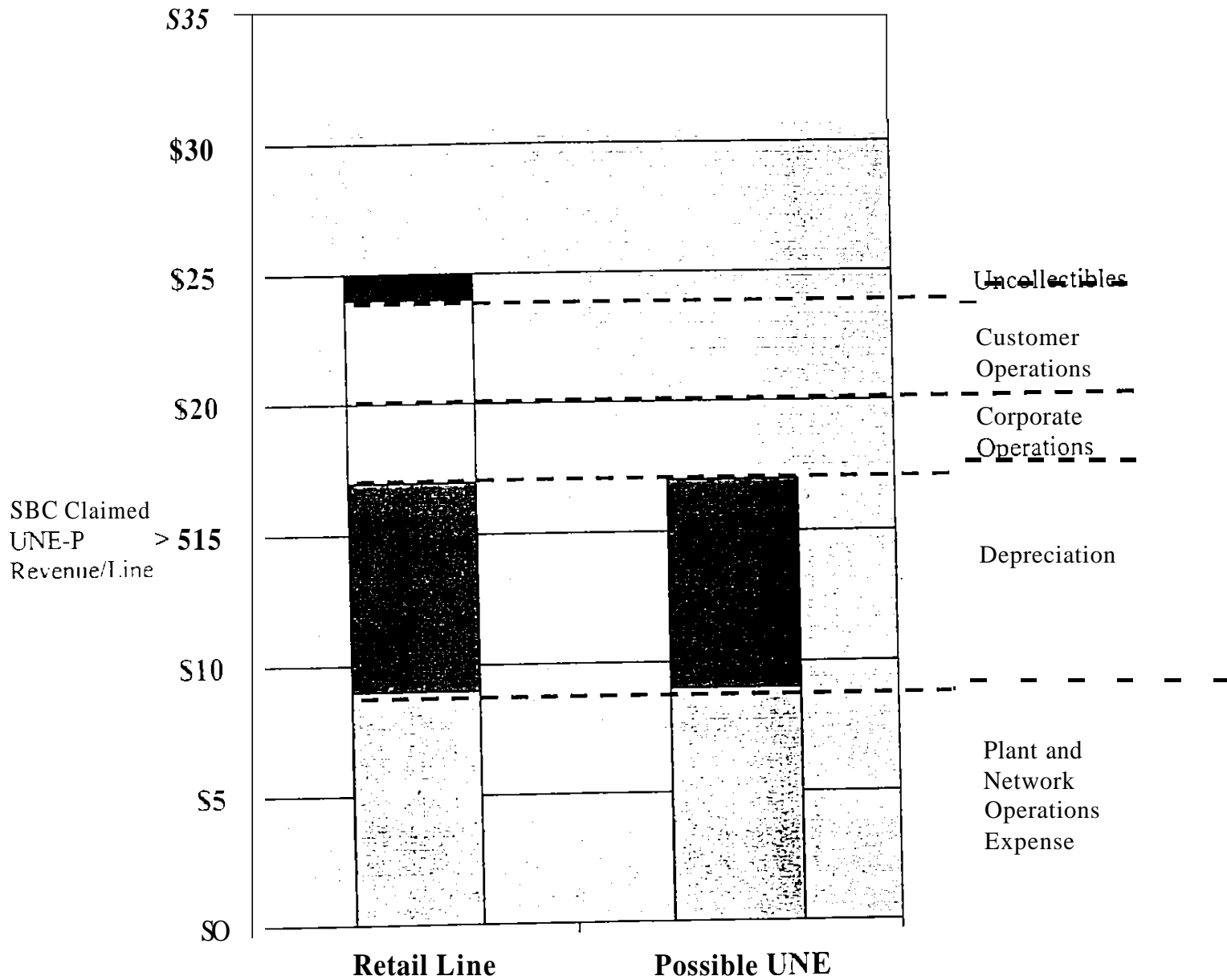
State	UNE-P Lines'		Percent		Relative Penetration'	
SBC Region						
OK	41,433	22,755	65%		10%	2%
MO	87,737	50,990	63%		16%	3%
KS	60,612	85,686	41%		19%	10%
CA	112,591	171,965	40%		2%	2%
TX	394,694	1,016,864	28%		16%	19%
AR	5,391	44,842	11%		2%	7%
Ameritech Region						
IL	107,477	418,889	20%		5%	11%
OH	51,779	226,887	19%		5%	8%
WI	11,029	53,763	17%		2%	4%
MI	128,745	695,815	16%		8%	23%
IN	9,337	51,689	15%		1%	4%
BellSouth Region						
SC	37,836	9,693	80%		14%	1%
TN	70,571	30,410	70%		15%	2%
AL	63,650	27,620	70%		18%	2%
NC	52,580	30,062	64%		11%	2%
KY	25,195	18,651	57%		11%	2%
MS	31,608	33,256	49%		12%	4%
LA	37,083	43,834	46%		7%	3%
FL	145,809	330,354	31%		11%	7%
GA	105,597	245,710	30%		14%	9%

<sup>1</sup> Source: SBC *Ex Parte*, CC Docket 01-338, October 30, 2002 (UNE-P lines as of August 31, 2002), and BellSouth *Ex Parte*, December 18, 2002 (UNE-P lines as of September 30, 2002).

<sup>2</sup> Relative penetration is defined as UNE-P share of the analog residential and analog business market. Source of analog residential and business lines: 2001 ARMIS 43-08.

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## SBC's Claimed Embedded Costs in Ameritech Region'



<sup>1</sup> Source: SBC Ex Parte. CC Docket 01-338, October 30, 2002.

of Facility Based DS-O Customers  
 ess Concentrator Collocated in ILEC Central  
 nt  
 Month 1  
 Month 2  
 Month 3  
 Month 4  
 Month 5  
 Month 6  
 Month 7  
 Month 8  
 Month 9  
 Month 10  
 Month 11  
 Month 12  
 Year 1  
 Year 2  
 Year 3  
 Year 4  
 Year 5

McGee Wire Center Only (Incremental)

EBIT  
 Cash Taxes  
 Depreciation & Amortization  
 Capital Expenditures  
 Cash Flow  
 Present Value (Cost of Capital = 18%)  
 Year 1

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DSO Customers in Kansas City Served Via EAI@SE Switch (Incremental)  
Inputs

Revenue

Line

EUCL / LNP

Features

Access

Total Revenue

Cost of Service

UNE Loop

UNE port charge

Long Distance Cost of Service

Transport

MUX

Cross Connects

DSO Entrance Facility (from McGee to Oak Tower)

Total Cost of Service

Gross Margin

Gross Margin %

Direct Operating Costs

Billing

MAC, Field Ops, Retention

Customer Service

Bad Debt

Total Direct Operating Costs

Contribution Margin

Acquisition Costs

AE Sales Commission

Sales Management Commission

AE Salaries / Cell Phone / Car Allowance

Sales Management Salaries

Provisioning

Marketing

NRCs to Bell - loop

NRCs to Bell - Cross connect

NRCs to Bell - Service Order

NRCs to Bell - MUX

Total Acquisition Costs

Capital Investment:

DSOs Served per SE

SE Lucent cards per DSO

POTS bay per DSO

EAIU shelf per DSO

EAIU card per DSO

DNUS

2 M13 per DSO

DSX1 and 3 chassis/cards per DSO

Total other equip. per DSO

Cost to Maintain SE Switch:

Property Tax

Switch Technician

SE Maintenance

McGee Rent/Power (DSO portion)

FACR/Audit

Rent

Power & Other Operating Expenses

Total Annual Switch Costs

Total Monthly Switch Costs

Monthly Cost per DSO

WACC

Average Churn Rate for 1-Line Accounts

Average Lila

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Verizon Telecom, Inc.  
Valuation Analysis of Facility Based DS-O Customers

Scenario 1: Access Concentrator Collocated in ILEC Central Office

\$ Per Line	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1	Year 2	Year 3	Year 4	Year 5
Income Statement																	

Cost of Services  
UNE Loop/Port  
LD  
T1 Transport, MUX & Cross Connects  
Entrance Facility  
SE Switch Taxes, Labor, Rent  
Total Cost of Service  
Gross Margin  
SG&A<sup>1</sup>  
Depreciation and Amortization  
Operating Income  
Taxes

Cash Flow  
EBIT  
Cash Taxes  
Depreciation & Amortization  
Capital Expenditures<sup>2</sup>  
Free Cash Flow

Net Present Value (Cost of Capital = 10%)  
Year 1  
Year 2  
Year 3  
Year 4  
Year 5

Notes  
1) Includes only direct, incremental expense. Excludes 59% of total SG&A expenses.  
2) Includes only direct, incremental capital expenditures. Excludes sunk and common costs.

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